Google, Inc. v. Affinity Engines, Inc. Doc. 16

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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN JOSE DIVISION

GOOGLE INC., a Delaware corporation, Plaintiff, v. AFFINITY ENGINES, INC., a Delaware corporation, Defendant.	CASE NO.: C-05-00598 JW (HRL) **PLAINTIFF GOOGLE INC.'S OPPOSITION TO DEFENDANT AFFINITY ENGINES, INC.'S MOTION TO DISMISS AND/OR STAY PROCEEDINGS** Date: May 9, 2005 Time: 9:00 a.m. Judge: Honorable James Ware Courtroom: 8, 4th Floor

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INTRODUCTION

Affinity Engines, Inc.'s ("AEI") motion is remarkable not for what it says, but for all that it fails to say. AEI seeks a stay of this copyright case on the ground that the issues before the Court will allegedly be decided by the state court in AEI's prior-filed trade secret case against Google Inc. ("Google"). According to AEI, this Court should therefore stay the current action to avoid purportedly wasteful and duplicative litigation. However, AEI never reveals that the state court *cannot* decide the copyright issues before this Court because those issues fall within the exclusive jurisdiction of the federal courts. The state court therefore lacks the power to decide those issues.

Adding insult to injury, AEI omits any discussion of the governing authority which *prohibits* this Court from granting the stay requested by AEI because of the exclusive federal jurisdiction. AEI seeks to invoke this Court's "inherent authority" to avoid duplicative litigation as the basis upon which it may stay the current action in deference to the state proceeding. The Supreme Court has recognized, however, that the "inherent authority" cases are inapplicable to a request that a *federal* court abstain from hearing a case in deference to a *state* court. Because of the unique authority conferred by Congress on the federal courts to hear certain cases, there is an established body of law – which AEI ignores – that directly addresses the circumstances in which a federal court may stay or dismiss an action in favor of a state court action. That law governs here. Where there is *concurrent* federal-state jurisdiction, the law allows a federal court to defer to a state court only in extremely narrow, exceptional circumstances for reasons of "wise judicial administration." However, as in this case where there is *exclusive* federal jurisdiction, a federal court has no discretion to defer to a state court, whether or not the state action was filed first and without regard to alleged efficiencies. Accordingly, AEI's motion must be denied.

BACKGROUND FACTS

A. The Current Copyright Litigation

This case involves software code called "inCircle" written by a Google employee, Orkut Buyukkokten ("Buyukkokten"). The inCircle code implements an online "social networking" service. A social networking service contains personalized information about users, and allows the users to communicate with other participants in the online community. There are a variety of social networking services on the Internet, including Google's own called Orkut.com.

Buyukkokten began his employment with Google on August 5, 2002. Amended Complaint for Copyright Infringement and Declaratory Relief ("Am. Compl."), ¶12. As a condition of his employment, effective that same day, Buyukkokten signed an employment and inventions assignment agreement with Google ("Aug. 5, 2002 Assignment Agreement"). *Id.*, ¶13; Declaration of David H. Kramer ("Kramer Decl."),[1] ¶2 and Exh. A. Pursuant to that agreement, Buyukkokten granted to Google an assignment of all right, title and interest of any work he invented on or after August 5, 2002, to the extent it related to Google's existing or potential business interests.[2] Kramer Decl., Exh. A at ¶3(b). As of the effective date of the

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[1] The suggestion in AEI's motion that the Court is limited to consideration of evidence as if this were a motion pursuant to Fed. R. Civ. P. 12(b)(1) is incorrect. *See* AEI Br. at 3 n.1. First, on a motion to stay an action in favor of another, the court is directed to consider a variety of factors beyond the pleadings, including the progress of the proceedings, the nature of the issues in dispute, the source of law governing the disputed issues, and the extent to which each of the proceedings is adequate to protect the parties' rights. *Moses H. Cone Mem'l Hosp. v. Mercury Constr. Corp.*, 460 U.S. 1, 18-27 (1983). Second, although AEI purports to bring its motion in part under Fed. R. Civ. P. 12(b)(1), it does not challenge this court's subject matter jurisdiction over Google's claims for federal copyright infringement or declaratory relief. AEI Br. at 1. Nor does it assert, as it could not, that its request for stay is governed by Fed. R. Civ. P. 12(b)(1). Instead, AEI apparently seeks to invoke Fed. R. Civ. P. 12(b)(1) as authority upon which the Court should "exercise its discretion and decline to hear Google's declaratory relief claim." *Id.* at 2-3, 11-12. Because, as even AEI recognizes, the Court has jurisdiction to hear the declaratory relief claim, AEI's motion does not properly arise under Fed. R. Civ. P. 12(b)(1). *See Brillhart v. Excess Ins. Co. of Am.*, 316 U.S. 491, 494-95 (1942) (distinguishing court's discretion to decide declaratory relief claim from jurisdictional inquiry).

[2] Buyukkokten also granted to Google a perpetual, royalty-free license to any and all materials that Buyukkokten authored before the effective date of the Assignment Agreement that related to Google's business. Am. Compl., ¶14; Kramer Decl., Exh. A at ¶3(a). At various points in its brief, AEI asserts that Google claims only a license to inCircle in the pending state court action, and that Google inconsistently claims ownership of inCircle in the federal action. *See, e.g.*, AEI Br. at 1, 2, 7, 8. Whether AEI is intentionally mischaracterizing Google's claims, or simply misunderstands them, is unclear. What is crystal clear is that Google's contentions in the two actions have been completely consistent on this point: Google owns all right, title, and interest to all inCircle software developed on or after August 5, 2002, the date Buyukkokten began employment with Google. To the extent Buyukkokten wrote any social networking software prior to August 5, 2002 and incorporated it into any Google product, Google holds a non-exclusive license to that software.

Aug. 5, 2002 Assignment Agreement, Google's business interests included social networking. Am. Compl., ¶13.

Buyukkokten wrote the inCircle software code while he was employed by Google. *Id.*, ¶15. Accordingly, Google owns the copyright to inCircle, (1) by operation of the work for hire doctrine under federal copyright law, and (2) pursuant to the terms of Aug. 5, 2002 Assignment Agreement. *Id.*, ¶16.

Google alleges in this lawsuit that defendant AEI has infringed, and continues to infringe, the copyright in inCircle by reproducing, distributing and creating derivative works of inCircle, in the form of various social networking services it has deployed for alumni associations. *Id.*, ¶¶28-29. Google seeks copyright remedies for such infringement. *Id.*, ¶30. Google also seeks a declaration that (1) it owns the copyright to inCircle, and (2) defendant AEI's purported copyright registration for inCircle is invalid. *Id.*, ¶¶31-34.

B. Formation of AEI and its Claims to inCircle

AEI was formed on August 5, 2002, the same day that Buyukkokten began his employment with Google. Bens Decl., Exh. A ("State Compl."), ¶14. According to AEI, it was founded by a venture development company called Concept2Company, Inc., Orkut, and Orkut's friend and fellow Stanford alumnus, Tyler Ziemann ("Ziemann"). *Id.*, ¶12.

AEI admits that it was fully aware of the details of Orkut's Aug. 5, 2002 Assignment Agreement with Google months before Buyukkokten even executed that Agreement. In May 2002 – well before AEI was formed – Buyukkokten first received his offer letter and employment packet from Google. *See* Kramer Decl., Exh. B. He immediately provided the employment documents, including the as yet unexecuted Aug. 5, 2002 Assignment Agreement and attached Exhibit A, to the Concept2Company venture firm and Ziemann. Bens Decl., Exh. A (State Compl.), ¶21. Apparently, AEI's founders not only studied the documents, but actually participated in Orkut's decision to execute the assignment to Google. AEI admits it even prepared the Exhibit A to the assignment on Orkut's behalf. *Id.* Buyukkokten subsequently advised AEI when he signed the Aug. 5, 2002 Assignment Agreement. *Id.*, ¶22.

Notwithstanding AEI's undisputed awareness and participation in the execution of the Aug. 5, 2002 Assignment Agreement which assigned to Google all right, title and interest in inCircle, AEI now claims that it owns all rights to the inCircle software. In particular, AEI relies upon three documents to demonstrate Orkut's alleged transfer to AEI of ownership in inCircle:

(1) a letter dated April 30, 2002, pursuant to which AEI claims that Buyukkokten "agreed to assign" to the still unformed AEI all inventions and improvements relating to social networking technology. State Compl., ¶12; AEI Br. at 8;

(2) an alleged assignment agreement dated September 11, 2002 (*i.e.*, more than one month after Buyukkokten had already assigned to Google all rights to inCircle). State Compl., ¶16; AEI Br. at 8; and

(3) another alleged assignment, titled "Bill of Sale," dated July 9, 2003. State Compl., ¶¶27-28; AEI Br. at 8.

C. AEI's Aborted Copyright Claims Against Google

In January 2004, Google launched its social networking service called "Orkut.com." Bens Decl., Exh. A (State Compl.), ¶6. The software implementing the first version of Orkut.com was written by Buyukkokten during his employment at Google.

In March 2004, AEI wrote to Google claiming that AEI owned the inCircle code and that Buyukkokten had copied unspecified inCircle code into the code implementing the Orkut.com service. Kramer Decl., Exh. C. Counsel for the parties met twice (in March and April 2004) to discuss AEI's concerns. At the very first meeting, Google's counsel explained that there were serious issues concerning AEI's claim to own the inCircle code, and that Google (not AEI) owned it. Kramer Decl., ¶4. Ownership aside, Google repeatedly offered to permit a neutral expert to compare the two programs and show that no code copying had occurred. AEI rejected all such offers. *Id.*

AEI filed its lawsuit in state court on May 25, 2004. Despite AEI's repeated accusations of alleged wrongful copying by Google of the inCircle code, followed shortly by AEI applying for a copyright registration (in which AEI claimed to own the copyright in the work written by

Buyukkokten as a "work for hire" even though AEI knew full well that Buyukkokten was employed by *Google*), AEI chose not to bring a claim for alleged copyright infringement against Google. Instead, apparently hoping to avoid federal scrutiny of its copyright ownership claims, AEI filed against Google in state court, alleging that the supposed copying of code constituted trade secret misappropriation.[3] After a failed mediation, Google registered its copyright in the inCircle program it owns, and filed this action for copyright infringement against AEI. Seeking once again to avoid federal court and the question of copyright ownership, AEI requests in this motion that the Court stay Google's copyright infringement action in favor of AEI's trade secret case.

ARGUMENT

I. THIS ACTION FALLS WITHIN THE EXCLUSIVE JURISDICTION OF THE FEDERAL COURTS

AEI's entire motion for stay rests on a single argument: it contends that the issues before this Court are already before the state court in AEI's prior-filed trade secret case against Google. AEI Br. at 2, 6, 10, 12. That contention, however, is undeniably false. As a result, AEI's motion must fail.

A. This Action Arises Under the Federal Copyright Law and Must Therefore Be Adjudicated in Federal Court

In what can only be explained by inept legal research or an incredible lack of candor, AEI's brief nowhere mentions the critical issue that is dispositive of its motion. This Court has exclusive federal jurisdiction to adjudicate Google's claims, not only because Google alleges copyright infringement, but also because federal copyright law governs the types of ownership disputes at issue.

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[3] In addition to its claim for alleged trade secret misappropriation under the Uniform Trade Secrets Act, AEI brought six other related claims against Google, all based on alleged misappropriation of confidential information. Because these six other state law claims are preempted by the Uniform Trade Secrets Act, Google has noticed a motion in the state court case for dismissal of the claims, which is scheduled to be heard on June 2, 2005.

Pursuant to 28 U.S.C. § 1338(a), the federal courts have original and exclusive jurisdiction over actions that arise under the Copyright Act:

> The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to . . . . copyrights . . . Such jurisdiction shall be exclusive of the courts of the states in . . . copyright cases.

28 U.S.C. § 1338(a); *Vestron, Inc. v. Home Box Office, Inc.*, 839 F.2d 1380, 1381 (9th Cir. 1988) ("We note that federal courts have exclusive jurisdiction over actions that arise under federal copyright law."). This means that state courts have no power to adjudicate claims arising under the Copyright Act. *Firoozye v. Earthlink Network*, 153 F. Supp. 2d 1115, 1123 (N.D. Cal. 2001) (Copyright Act is a "complete preemption" statute so that all claims falling within its scope, whether or not identified as a copyright claim, must be adjudicated in federal court); *Ritchie v. Williams*, 395 F.3d 283, 286 (6th Cir. 2005) ("The Copyright Act is unusually broad in its assertion of federal authority. Rather than sharing jurisdiction with the state courts as is normally the case, the statute expressly withdraws from the state courts any jurisdiction to enforce the provisions of the Act[.]"); *Rosciszewski v. Arete Assocs., Inc.*, 1 F.3d 225, 232 (4th Cir. 1993) (contrasting Copyright Act with federal statutes providing concurrent jurisdiction; finding "strong evidence that Congress intended copyright litigation to take place in federal courts.").

This action undisputedly arises under the Copyright Act. To determine whether an action "arises under the Copyright Act," the Ninth Circuit has adopted a well-known, three-part formulation of copyright jurisdiction first articulated by Judge Friendly for the Second Circuit:

> An action arises under the federal copyright law "if and only if the complaint is for a remedy expressly granted by the Act, . . . or asserts a claim requiring construction of the Act, . . . or, at the very least and perhaps more doubtfully, presents a case where a distinctive policy of the Act requires that federal principles control the disposition of the claim.

Vestron, 839 F.2d at 1381, citing *T.B. Harms Co. v. Eliscu*, 339 F.2d 823, 828 (2nd Cir. 1964) (Friendly, J.), *cert. denied*, 381 U.S. 915 (1965). Exclusive federal jurisdiction is established if any one of the three grounds is satisfied. *Id*. at 1381. The current case meets the test for exclusive federal jurisdiction because it satisfies not one, but two of the independent grounds for jurisdiction.

1. Google's Complaint Seeks Remedies Expressly Granted by the Copyright Act

Google's complaint satisfies the first ground of the test because it "makes out a bona fide infringement claim." *Vestron*, 839 F.2d at 1381. Google's complaint (1) pleads ownership of the copyright to the inCircle code (Am. Compl., ¶1); (2) pleads alleged unauthorized acts (including reproduction, distribution and creation of derivative works) by AEI constituting federal copyright infringement (*id.*, ¶¶28-29), (3) seeks statutory relief provided by §§ 502 and 504 of the Copyright Act (including an injunction, damages, profits, costs and attorneys' fees) (*id.*, Prayer for Relief at 6), and (4) seeks a declaration of Google's rights to the copyright. On this basis alone, Google's case falls within exclusive federal jurisdiction. *Vestron*, 839 F.2d at 1382 (noting that plaintiff "seeks statutory relief under federal copyright law, which, by virtue of our exclusive jurisdiction, only a federal court can administer and which remains to be determined.").

2. Google's Complaint Asserts Claims Requiring Construction of the Copyright Act

Google's case also meets a second, independent ground for exclusive federal jurisdiction: Google's claims require construction of the Copyright Act. *Vestron*, 839 F.2d at 1381. Google alleges that it owns the copyright to inCircle because it was transferred to Google by the sole author of the inCircle code, its employee Buyukkokten. Am. Compl., ¶1. Such transfer was effected by both the Aug. 5, 2002 Assignment Agreement between Google and Buyukkokten, and by operation of the work for hire doctrine under the Copyright Act. *Id*. AEI apparently intends to contest Google's ownership of the inCircle copyright as part of its defense to copyright infringement, relying upon alleged "written assignments" from Buyukkokten which post-date the Aug. 5, 2002 Assignment Agreement. AEI Br. at 8. Further, although it is unclear from AEI's submissions to date, AEI also appears to intend to claim rights to the copyright through transfer from AEI co-founder Ziemann, who AEI (inconsistently) alleges participated in authoring the inCircle code. *Compare* Kramer Decl., Exh. D (AEI's Response to Google's RFA No. 28, denying that "Ziemann did not write any of the source code for the inCircle software") *with* Bens Decl., Exh. A (State Compl.), ¶11 (Ziemann did not write code for prior social networking program because "Ziemann was not a programmer.").

Resolution of these disputed issues regarding who owns the inCircle copyright require construction of the following provisions of the Copyright Act and therefore fall within the exclusive jurisdiction of the federal court:

(1) Initial Ownership of Copyright (17 U.S.C. § 201(a)): A threshold issue is whether Buyukkokten should be considered the sole author of the inCircle software code (and therefore sole initial owner of the copyright) because he alone wrote the code. Although AEI has not made its position clear on this issue, it appears to contend that Ziemann was a joint author. Section 201(a) of the Copyright Act governs the determination of ownership by a sole versus joint authors. *See, e.g., Ashton-Tate Corp. v. Ross*, 916 F.2d 516, 520-21 (9th Cir. 1990) (applying multi-factor analysis under federal law); *Erickson v. Trinity Theatre, Inc.*, 13 F.3d 1061, 1068-72 (7th Cir. 1994) (citing cases and applying analysis). The federal courts have exclusive jurisdiction to adjudicate whether parties are joint authors. *Goodman v. Lee*, 815 F.2d 1030, 1032 (5th Cir. 1987) ("[W]e find that exclusive federal district court jurisdiction exists in an action for a declaratory judgment to establish joint authorship of a copyrighted work . . .").

(2) Works Made for Hire (17 U.S.C. § 201(b)): Another issue directly implicated in this case is whether Google owns the copyright to inCircle under the "work for hire" doctrine found in section 201(b) of the Copyright Act. The Supreme Court has ruled that federal common law, not state law, governs this analysis. *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 740, 750-51 (1989) (setting forth federal work for hire test); *Aymes v. Bonelli*, 980 F.2d 857, 862 (2nd Cir. 1992) (applying *Reid* test), *aff'd*, 47 F.3d 23 (2nd Cir. 1995). The federal courts have exclusive jurisdiction to adjudicate works for hire disputes under the Copyright Act. *Ballas v. Tedesco*, 41 F. Supp. 2d 531, 537 (D.N.J. 1999) ("Such claims plainly are governed by federal copyright law, and as such, are within the exclusive jurisdiction of the federal courts."); *see also Royalty Control Corp. v. Sanco, Inc.*, 175 U.S.P.Q. 641, 643-44 (N.D. Cal. 1972) (interpretation and scope of work for hire provisions of 1909 Copyright Act under federal jurisdiction).

(3) Priority Between Conflicting Copyright Transfers (17 U.S.C. § 205(d)): Because AEI apparently relies upon its supposed "assignments" as transferring ownership of the inCircle copyright from Buyukkokten to AEI, even though they post-date the Aug. 2, 2002 Assignment Agreement to Google, the priority of these claimed assignments is an issue in dispute. Section 205(d) of the Copyright Act governs priority of competing assignments. Once again, the issue must be decided by federal courts applying federal copyright law. *See, e.g., Peer Int'l Corp. v. Latin Am. Music Corp.*, 161 F. Supp. 2d 38, 47-48 (D.P.R. 2001)(describing and applying test); *see also In re World Auxiliary Power Co.*, 303 F.3d 1120, 1126-30 (9th Cir. 2002) (§205(d) preempts state U.C.C. law regarding registered copyrights and security interests).

(4) Execution of Transfers of Copyright Ownership (17 U.S.C. § 204(a)): Google also disputes the sufficiency and validity of the after-the-fact "assignments" relied upon by AEI as evidence Buyukkokten transferred the copyright to AEI. Whether a writing qualifies as a valid transfer of copyright ownership is governed by Section 204(a) of the Copyright Act, and again can only be decided under federal law by federal courts. *Sullivan v. Naturalis, Inc.*, 5 F.3d 1410, 1413 (11th Cir. 1993) (interpretation of §204(a) falls within exclusive federal jurisdiction); *see also Radio Television Espanola S.A. v. New World Entm't, Ltd.*, 183 F.3d 922, 927-29 (9th Cir. 1999) (applying federal law to determine validity of alleged copyright transfer documents).

B. Google's Claims Cannot Be Adjudicated By the State Court

AEI does not and cannot dispute that this action arises under the Copyright Act. Instead, it blindly asserts that the state court can decide ownership of the inCircle copyright because the issue is purportedly based solely upon interpretation of various contracts. *See, e.g.,* AEI Br. at 6 ("The central issue raised by Google's claims is the ownership of the inCircle software – an issue already being litigated in the state court proceeding."); at 8 ("These contracts are at issue in the state court action, and AEI believes that they will establish that AEI owns all of the intellectual property rights relating to inCircle, including any copyrights."); at 7 ("The employment agreement is a contract governed by California law."); at 9 ("The proceedings in the pending state court action may entirely eliminate the need to litigate any of Google's claims in the present action.”). According to AEI, this Court should therefore defer to the earlier-filed state case to resolve copyright ownership issues.

AEI completely ignores the federal courts’ exclusive jurisdiction to adjudicate issues which require construction of the Copyright Act. It therefore makes no effort to distinguish the myriad cases giving the federal courts exclusive power to decide the copyright issues in dispute here that are required to resolve ownership. Because the state court lacks the power to determine any of those issues, it simply will not and cannot decide who owns the copyright. *See Vestron*, 839 F.2d at 1382 (“[O]wnership will almost always be a threshold issue in a copyright infringement action. [Defendant’s] intention to contest [plaintiff’s] alleged ownership as part of its defense, regardless of any potential for success, does not affect jurisdiction.”).

The only case cited by AEI to support its contention that the state case will resolve copyright issues pending in this Court is *Foad Consulting Group, Inc. v. Azzalino*, 270 F.3d 821, 827 (9th Cir. 2001). AEI’s reliance on *Foad* is misplaced. In *Foad*, the Ninth Circuit recognized that federal law exclusively governs all issues that fall within the scope of the Copyright Act, and stated that it would rely on state law solely “to fill in the gaps Congress leaves in federal statutes.” *Id*. The court thereafter applied California law to determine whether a nonexclusive license had been granted only after first determining that “Congress did not choose to regulate the conditions under which a copyright holder can grant a nonexclusive copyright license to another.” *Id.* at 827. Here, in contrast, specific provisions of the Copyright Act govern resolution of Google’s infringement claim and the various disputed copyright law issues relating to ownership of inCircle. *See* Section I.A.2. above. These provisions can only be interpreted and applied by the federal court, and cannot be resolved as part of AEI’s state trade secret case.

II. BECAUSE THERE EXISTS EXCLUSIVE FEDERAL JURISDICTION, THE COURT HAS NO DISCRETION TO DEFER TO THE STATE COURT PROCEEDINGS

A. This Court May Not Abstain From Adjudicating Google’s Copyright Case In Favor of AEI’s State Case

The exclusive federal jurisdiction over this action is fatal to AEI’s motion. Where a federal court has *exclusive jurisdiction*, it has no discretion to stay a case before it in favor of a state court proceeding. *Minucci v. Agrama*, 868 F.2d 1113, 1115 (9th Cir. 1989) (applying rule in copyright case); *Turf Paradise, Inc. v. Arizona Downs*, 670 F.2d 813, 820-21 (9th Cir. 1982) (reversing district court's dismissal of federal action in favor of prior-filed state court case); *see also Arizona v. San Carlos Apache Tribe*, 463 U.S. 545, 559-60 (1983) ("[I]t is also clear in this case, as it was in *Colorado River* [424 U.S. 800 (1976)], that a dismissal or stay of the federal suits would have been improper if there was no jurisdiction in the concurrent state actions to adjudicate the claims at issue in the federal suits."); *Medema v. Medema Builders, Inc.*, 854 F.2d 210, 213 (7th Cir. 1988) ("We agree with every court of appeals to decide this question that 'the district court has no discretion to stay proceedings as to claims within exclusive federal jurisdiction under the wise judicial administration exception.'") (citation omitted).

District courts routinely apply this principle in copyright cases to reject requests for stays. *See, e.g.*, *Micro Med, Inc. v. Roger Nasiff Assocs., Inc.*, No. Civ. A. 91-6921, 1993 WL 53576, at *1 (E.D. Pa. Mar. 3, 1993) (refusing stay because copyright and other claims had exclusive jurisdiction); *Shepard's McGraw-Hill, Inc. v. Legalsoft Corp.*, 769 F. Supp. 1161, 1166 (D. Colo. 1991) (refusing stay of copyright case because of exclusive jurisdiction; rejecting defendant's argument that ownership dispute was for state court where "the claims here require construction of the Copyright Act[.]"); *Richard Feiner & Co., Inc. v. Polygram Corp.*, 610 F. Supp. 250, 252 (S.D.N.Y. 1985) (refusing to stay a second-filed federal copyright infringement action where other party filed state court action over television distribution agreement; noting that copyright claim had exclusive jurisdiction and that if one side "prevails in state court on the state contract issue, it will have to return to federal court to obtain relief on its copyright claims[.]").

As these cases reflect, considerations of judicial economy and avoidance of piece-meal or duplicative litigation are not separately analyzed where there is *exclusive federal jurisdiction*. Rather, once exclusive federal jurisdiction is established, the requested stay of a federal court action in favor of a state action must be denied, without regard to perceived efficiencies. So, for example, in *Silberkleit v. Kantrowitz*, 713 F.2d 433 (9th Cir. 1983), the district court stayed a federal action with exclusive federal jurisdiction on the grounds of "wise judicial administration." *Id.* at 435-36. Because there were four separate state court proceedings involving the same parties and similar issues, the district court concluded that the state cases might limit the scope of the action before it. *Id.* The Ninth Circuit reversed, holding that efficiency considerations were not properly invoked where there was exclusive federal jurisdiction. *Id.* Likewise in *Turf Paradise,* the district court dismissed the action before it in deference to a prior-filed state case. 670 F.2d at 816. Once again, the Ninth Circuit reversed, finding an abuse of discretion where the claims at issue fell within exclusive federal jurisdiction. *Id.* at 820-21.

Sound policy justifies this bright-line rule. Congress grants exclusive federal jurisdiction "to cultivate uniformity and expertise, and sometimes to ensure the use of more liberal federal procedural protections." *Medema*, 854 F.2d at 213. Allowing federal courts to defer to state court actions where Congress has granted exclusive jurisdiction would run contrary to this Congressional determination. *Id.* It would also run contrary to notions of judicial economy: if the state court decision were given preclusive effect, it would undermine exclusive jurisdiction; yet if it were not given preclusive effect, the issues would have to be re-litigated in federal court, thereby promoting rather than curbing duplicative and piecemeal litigation. *See Will v. Calvert Fire Ins. Co.*, 437 U.S. 655, 676 (1978) (Brennan, J., dissenting).[4]

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[4] In cases of *concurrent federal-state jurisdiction only*, there is a narrow exception to the rule that federal courts ordinarily should exercise their jurisdiction without regard to pending state proceedings. In *Colorado River Water Conservation Dist. v. United States*, 424 U.S. 800, 813-17 (1976), the Supreme Court recognized that there may be "exceptional circumstances" which would permit a federal court to abstain from exercising jurisdiction in deference to a state action. *Id.* at 813-14. Where the federal and state actions are demonstrated to be "parallel" and the requirements of a multi-factor test are met, the federal court is authorized to defer to the state court action in the interest of "wise judicial administration, giving regard to conservation of judicial resources and comprehensive disposition of litigation." *Id.* (citation omitted). The *Colorado River* exception is extremely narrow and applies only in "exceptional circumstances." *Id*. at 813, 818 (describing circumstances in which *Colorado River* exception applies as "considerably more limited" than the "extraordinary and narrow" circumstances in which traditional abstention doctrine applies). Further, if there is any doubt, the federal court may not defer to the state court – "[o]nly the clearest of justifications" warrant abstention. *Id.* at 819; *see Moses H. Cone Mem'l Hosp.*, 460 U.S. at 19-27 (reversing lower court's grant of stay where application of *Colorado River* factors failed to make a showing "of the requisite exceptional circumstances"). AEI would be unable to satisfy this standard even if this were a case involving (continued...)

B. The "Inherent Authority" Cases Relied upon by AEI Are Inapplicable

AEI relies upon *Landis v. North Am. Co.*, 299 U.S. 248 (1936) and cases following it to invoke the Court's "inherent authority" to avoid duplicative litigation as the basis upon which to stay the current action in favor of AEI's state trade secret case. AEI Br. at 6. However, as the Supreme Court recognized in the *Colorado River* case, there is a precise *rule* governing whether a federal court may defer to a state court, and it differs markedly from the "general principle" to avoid duplicative litigation enunciated in *Landis*. The *Landis* principle is applicable only when federal versus state jurisdiction is not at issue:

> Generally, as between state and federal courts, the rule is that "the pendency of an action in state court is no bar to proceedings concerning the same matter in the Federal court having jurisdiction . . ." [citing cases] As between federal district courts, however, though no precise rule has evolved, the general principle is to avoid duplicative litigation. [citing *Landis* case, among others]

Colorado River, 424 U.S. at 817. The *Colorado River* Court explained that the *Landis* analysis is inapplicable to determining whether a federal court may defer to a state court because it fails to account for "the virtually unflagging obligation of the federal courts to exercise the jurisdiction given to them." *Id.*

The established rule governing AEI's current request for stay is never discussed by AEI. Instead, buried in a footnote on page 10 of its brief, AEI's feebly purports to "distinguish" the Ninth Circuit's decision in *Minucci v. Agrama*, 868 F.2d 1113 (9th Cir. 1989) – one of the numerous Ninth Circuit cases prohibiting the stay AEI seeks in its motion – on the ground that AEI has not "invoked" the *Colorado River* exception. AEI Br. at 10.[5] As discussed above (*see*

(...continued from previous page)
concurrent federal-state jurisdiction. But where, as here, the federal court has exclusive federal jurisdiction, even the narrow *Colorado River* exception is inapplicable.

[5] AEI also selectively cites the only Ninth Circuit case discussing the exclusive jurisdiction rule where the state case was filed *after* the federal action, in order to claim that the sequence of filing justified reversal of the district court's grant of stay. AEI deliberately omits mention of the several other Ninth Circuit cases that stand for the same rule in which the state case was filed *before* the federal action and which demonstrate that the sequence of filing is irrelevant. *See* AEI Br. at 10 n.3 (citing *Minucci* case, but not *Legal Econ. Evaluations, Inc. v. Metropolitan Life Ins. Co.*, 39 F.3d 951, 954 (9th Cir. 1994), *Silberkleit*, or *Turf Paradise* where state cases were filed first).

footnote 4), the *Colorado River* exception allows a federal court to defer to a state court proceeding for reasons of judicial economy and "wise judicial administration" only in exceptional circumstances and *only where there is concurrent federal-state jurisdiction.* Accordingly, AEI could not invoke the exception here.

Even more to the point and exception aside, the governing rule remains the same: in cases with exclusive federal jurisdiction, the federal courts have no discretion to stay or dismiss in favor of pending state court proceedings. AEI cites no case to suggest that the comprehensive body of law directly addressing the propriety of federal deference to state proceedings can be discarded in favor of the looser "inherent authority" cases advocated by AEI. Notably, not one of the "inherent authority" cases cited by AEI involves the stay of a federal court action with exclusive federal jurisdiction in favor of a state case.[6] Controlling authority leaves no doubt that federal courts may defer to state proceedings because of claimed "duplicative litigation" and for reasons of "wise judicial administration" *only* in very limited, exceptional circumstances *and only* where there is concurrent federal-state jurisdiction. AEI's failure to mention these exacting requirements, let alone its effort to ignore them in favor of a much looser, general principle, is inexcusable.

III. JUDICIAL ECONOMY WEIGHS AGAINST A STAY OF THE PRESENT ACTION

Even if one were to ignore the controlling authority which prohibits a stay of the current action, and were instead to use the inapplicable standard advocated by AEI, it would lead to the same conclusion: AEI's request for stay should be denied. Under the authority upon which AEI relies, a decision to stay a case is based upon considerations of judicial efficiency and the resulting harm or effect on the parties. AEI Br. at 7.

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[6] AEI only cites a single case in which a court considered staying a federal case in favor of a state proceeding. In that case, the plaintiff alleged a RICO claim, and the district court appears to have improperly applied the "inherent authority" analysis. *See Cohen v. Carreon*, 94 F. Supp. 2d 1112, 1115 (D. Or. 2000). However, because RICO claims have concurrent jurisdiction in state court, even if *Cohen* were correctly decided, it would still have no application in this case, where there is exclusive federal jurisdiction. *See generally Tafflin v. Levitt*, 493 U.S. 455, 458 (1990) (holding that state courts have concurrent jurisdiction over RICO claims).

Applying this standard, AEI argues that a stay of this action would avoid duplicative litigation. *Id.* at 9. AEI is wrong. Although AEI's state trade secret case involves the same inCircle software and some of the same parties as the instant copyright case,[7] the legal issues in the two cases are necessarily different. The state court can only address the trade secret issues before it. These include, for example: (1) whether there exist any trade secrets embodied in the inCircle code to which AEI can claim ownership; (2) if so, the precise identity of those trade secrets, as distinguished from public domain and third party information; (3) whether AEI has taken reasonable measures to maintain the secrecy of any claimed trade secrets; (4) whether any of the claimed trade secrets were improperly taken by any of the defendants; (5) whether any of the defendants can be held liable for trade secret misappropriation; and (6) if so, what remedies are available under the trade secret law. *See* Cal. Civ. Code §3426.1 (setting forth elements of trade secret misappropriation claim).

In contrast, the Court will be called upon in this case to assess a variety of issues arising under the Copyright Act concerning Google's ownership of the copyright to inCircle program, whether AEI's different alumni programs infringe the copyright, and the damages resulting from AEI's unauthorized use of Google's copyrighted work. Because the state court lacks the power to decide any of these issues, a stay of the current action would not decrease or eliminate duplicative litigation. Instead, a stay would bring the copyright issues before this Court no closer to determination, and would require Google to await a judgment in the state court trade secret case that would have no bearing on the outcome of this case. That result would not only be unfair to Google, it would be completely unjustified.

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[7] AEI concedes, as it must, that the parties to the two actions are not identical. AEI Br. at 5 n.2. The state court action involves two additional defendants, Orkut Buyukkokten and a subsidiary of Google. AEI's claim that those two parties could be added to this case is completely unexplained and unsupported. *See id.*

AEI's claim that Google is somehow responsible for the parties' dual-forum litigation is baseless. *See* AEI Br. at 9-10. AEI is the only party to blame. AEI clearly contemplated bringing a copyright case against Google (as evidenced by AEI's repeated accusations against Google of improper copying of inCircle code, closely followed by AEI's filing for a copyright registration). For whatever reason (presumably because it feared application of copyright ownership principles to its claim), AEI then chose not to pursue a copyright suit. Instead, AEI chose to bring a trade secret case against Google in state court, asserting claims that it could easily have consolidated with a federal court action. In short, AEI has chosen to split its cause of action, apparently hoping to preserve a distinct copyright claim, while taking a first shot with a trade secret theory. Having chosen this tactic, AEI can hardly complain that its trade secret case must be adjudicated separately from Google's copyright infringement claims; that is the risk AEI took when it jettisoned its own potential copyright case in the interests of forum shopping.[8]

IV. THE COURT SHOULD MAINTAIN GOOGLE'S DECLARATORY JUDGMENT CLAIM

AEI also argues that the Court should exercise its discretion to dismiss Google's declaratory judgment claim because, according to AEI, the issues raised by that claim can be decided by the state court. *See* AEI Br. at 12. However, this request should be denied for the same reasons AEI's motion for stay should be denied. As AEI concedes, Google's declaratory

[8] AEI also argues that the federal action should be stayed because the state action was filed first, and the state case is "mature" and "active." The argument is contrary to the facts. Although the state court action has been pending for many months, little has happened due in large part to AEI's stonewalling in discovery. To date, Google has been forced to brief six different motions to obtain documents and information from AEI; the state court has ordered AEI to provide sought-after information in August, November (twice), and December 2004 and again in March 2005, and the most recent motion will be heard on April 25. Based on AEI's recent discovery responses, Google anticipates having to file more motions. Further, as of the date of this motion, only one deposition has been taken (a deposition of AEI). Although Google originally noticed the deposition in July 2004, because AEI's witness refused to respond to Google's questions, Google had to bring a motion to recommence the deposition in the presence of a discovery referee. The court granted Google's motion, and the resumed deposition took place on March 24, 2005. *See* Kramer Decl., ¶6 and Ex. E.

relief claim raises many of the same substantive issues of copyright law as Google's copyright infringement claim. AEI Br. at 11. They are therefore properly before this Court.

AEI cites various cases for the proposition that this Court has broad discretion to dismiss Google's declaratory relief claim, including the Supreme Court's decision in *Wilton v. Seven Falls Co.*, 515 U.S. 277, 290 (1995). AEI Br. at 11-12. Yet AEI remarkably fails to disclose that the Supreme Court in *Wilton* considered, but *expressly declined to decide*, whether the same broad discretion applied where there was exclusive federal jurisdiction or other reasons that would prohibit a state court from adjudicating the claim. *Wilton*, 515 U.S. at 290 ("We do not attempt at this time to delineate the outer boundaries of that discretion in other cases, for example, cases raising issues of federal law or cases in which there are no parallel state proceedings."). That open question has been answered by numerous lower courts, which have found the requirements for dismissal much more stringent when the declaratory judgment claim gives rise to exclusive federal jurisdiction. *See, e.g., Youell v. Exxon Corp.*, 74 F.3d 373, 376 (2nd Cir. 1996) (exclusive federal jurisdiction weighs heavily against declining to hear declaratory relief claim); *Epling v. Golden Eagle/Satellite Archery, Inc.*, 17 F. Supp. 2d 207, 210 (W.D.N.Y. 1998) (same). The same is true even for federal claims with concurrent jurisdiction. *See Wells' Dairy v. Estate of Richardson*, 89 F. Supp. 2d 1042, 1060 (N.D. Iowa 2000) (rejecting request for stay where declaratory judgment action was based on trademark law; "the presence of an issue of federal law militates against abstention."). Although the Ninth Circuit has yet to decide this issue, its rule barring stays of non-declaratory claims where there is exclusive jurisdiction strongly suggests that it would follow the Second Circuit's reasoning in *Youell*. *See supra* at 10-12.

Since the Court will, in any event, need to decide the copyright issues relevant to Google's copyright infringement claim, it should deny AEI's request for dismissal of Google's declaratory judgment claim.

V. GOOGLE'S LANHAM ACT CLAIM WAS PROPERLY DISMISSED WITHOUT PREJUDICE

Finally, AEI argues that the Court should dismiss *with prejudice* the Lanham Act claim that Google voluntarily withdrew before AEI responded to Google's complaint. AEI cites no authority for the proposition that a party is prohibited from realleging a voluntarily-withdrawn claim if the facts so warrant. Indeed, there is no such authority. Leave to amend is granted under Federal Rule 15 with "extreme liberality." *See DCD Programs, Ltd. v. Leighton*, 833 F.2d 183, 186 (9th Cir. 1987) (applying rule). Although a plaintiff cannot re-allege a claim that was *actually determined* against that party, *see Kasey v. Molybdenum Corp*., 467 F.2d 1284, 1285 (9th Cir. 1972), there is no prohibition against re-alleging a voluntarily-withdrawn claim. *E.g*., *Southwest Forest Indus., Inc. v. Westinghouse Elec. Corp*., 422 F.2d 1013, 1015 (9th Cir. 1970) (noting that trial court had permitted plaintiff to re-allege voluntarily withdrawn warranty claim); *U.S. Metal & Coin Co. v. Burlock*, No. 84 CIV 1166, 1986 WL 31563, at *6 (E.D.N.Y. Mar. 3, 1986) (granting motion in part to re-allege voluntarily withdrawn RICO claim).

AEI argues that because appellate courts deem claims withdrawn by a party as waived on appeal, Google should be precluded from ever seeking to re-assert its Lanham Act claim. Yet AEI's cited cases have nothing to do with re-alleging a claim in the trial court. Instead, they stand for the unremarkable proposition that claims that are voluntarily withdrawn cannot be argued on appeal. *E.g*., *London v. Coopers & Lybrand*, 644 F.2d 811, 814 (9th Cir. 1981) (a plaintiff waives on appeal "causes of action alleged in the original complaint which are not alleged in the amended complaint," as the amended complaint is what is at issue on appeal). In short, AEI has no basis for requesting that the Court dismiss Google's withdrawn Lanham Act claim with prejudice, and the request should be denied.

CONCLUSION

For all the foregoing reasons, Google Inc. respectfully requests that the Court deny Affinity Engines, Inc.'s Motion to Dismiss and/or Stay Proceedings.

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